77

1945-48 **File No.** 7627/36(1)

B CLASS P.W. **DEPARTMENT**
El. **BRANCH** (1)

Subject:—Bombay Electric Serid Scheme.
Method of financing Capital Expdre & deficit re:

12

B K 1745

File No. 7627/36 (1)

Ptd. Secrt. Slip. 91 A

G.R., G.D., No. 2408, dated 22-6-22.]

Correspondence

DOCKET SHEET

Subject :—

File No. 7627/36 (1)

P.W. DEPT.

El. (1) BRANCH.

References :—

Date	To whom sent.	Notes and instructions.

In discussion with Mr. Advani, Special Officer, Grid, I found that he and I were of the same opinion that it would much simplify scheme No. 46, Electric Grid, if only the amount of the subsidy from Govt. to the Board was debited to the Post-war Reconstruction Plan. I understood from the that he was aiming at a subsidy of Rs. 40/- lakhs. The Electricity Board will be an independent board with powers of raising capital and there is no reason why this capital should be treated as part of the expenditure of the post-war plan.

2. Mr. Advani said he thought A(F) had at one stage expressed a similar opinion. Would you please see whether you can find any thing on this in the papers.

P.W.R.& El.Br. (I). R.C.D. 0/10864
P.W.D.

Submitted with ref. to the Ch.Secy's note Na. p. 1 ante.

2. A search was being made for the papers refd. No by the Ch.Secy. from the proceedings in file No.725/36(II) put up below it will be seen that the question of giving the receipts of Electricity Duty (Which were estimated to amount to Rs. 40 lakhs during the year 1944-45) as subsidy to meet the deficit of the proposed Electricity Board was discussed and the S.E. was to submit to Govt. his proposals in the matter separately. (This, from the informal enquiries in the office of the S.O. it is understood, has not been done so far). It will however be seen from the proceedings that the principle of subsidy to the Board has been accepted by Govt. but the question how it should be met has not been decided.

3. Regarding para 2 of the Ch.Secy's note Mr. Advani presumably refers. to the view expressed in para.3(c) of A(F)'s note dated the 3-1-45.

4. These papers may be returned to the R.C.D. with this Deptt. file No. 725/36-II refd. to above thro' the S.O. (El.Grid) with a request that the R.C.D. will please return this Deptt. file when done with.

Id/-
25-8-45

Id/-
25-8-45

u.o. to the S.O. (El.Grid) & R.C.Deptt. dt. the 28-8-45.

*with P.W.R. file No. 725/36/II

Below u.o.r. R.C.D.O/10964 from P.W.D. (R), Secretariat, dated 28th August, 1945.

Office of the Special Officer
(Electric Grid).

In the final draft of the Bombay Electricity (Supply) Bill, 1945, the necessary provisions was made for the Bombay Electricity Board to raise its capital by public loans. Provision was also made to give power to the Provincial Government to advance loans to the Board and guarantee the principal and interest of any loan, which may be raised by the Board with the permission of Government. A reference in this connection in invited to Sections 48 to 52 (both inclusive) of the draft-Bill, a copy of which is placed below. It is requested that it may be returned to me when done with.

The final draft of the Bill, which includes the financial provisions mentioned previously has been accepted by the Government of Bombay. It follows, therefore, that it has been the intention of Government that the Bombay Electricity Board will finance its operations from public loans or from loans made to it by Govt.

2. It was expected that the Bombay Electricity (Supply) Act will be passed as a Governor's Act. Owing, however, to constitutional difficulties, a Central Act is now to be passed and this will probably take another 12 to 18 months. During my recent visit to New Delhi, I understood that it was intended to made in the Government of India Bill the necessay provisions empowering the Board to raise public loans under the guarantee of Provincial Government The Government of India has promised to send a copy of the draft-Bill to the Government of Bombay.

3/.....

3. In view of the above, it would seem that it has been intended that all the capital expenditure, which may be incurred on a ccount of the Electirc Grid, will be treated as a loan to the Bombay Electricity Board.

4. As pointed out in the P.W.D. office note, the principle of granting the required annual subsidy to the Board/meet its deficit has been accepted by Government. The manner in which and the source from which the subsidy expenditure is to be met has, however, I believe, not been decided by Government

Id/-
.13-9-45

To

Secy to Govt. P.W.D.Bombay.

u.o.r. No.Elg.67/2937 13th Septr. 1945.

Encled: 1 Draft-Bill.

El.Br.(I) P.W.D.

Submitted with reference to the u.n., dt the 25-8-45.

2. These papers may now be refd. as u.o. to the R.C.D. with reference to the Chief Secy's note on p. ante. with a request that this Deptt. file No. 725/36/II and the draft Bill put up by Mr. Advani may be returned to this Deptt. when done with.

Id/-
20-9-45

Id/-
20-9-45

Confdl.*

le u.o.
II draft
Secretary may.
(supply) Bill

u.o. to R.C.D. dt. 21-9-45.

~~Id/-~~

R.E.D.

Submitted with ref to the Secy's note on page 1 ante.
Id/- 22/9/45 Many thanks. As soon as the amount of subsidy is decided schemes can be revised & issued. P 239

u.o. to P.W.D. dated 25-9-1945.

Id/-

725/36
31621

P.W.D

El.Br. (I)

Submitted with reference to the ~~xxxx~~ c.n. dt. 29-9-45.

2. The S.O.(El.Grad) may see the Secy R.C.D. note. dt the 23-9-45, for information and may be requested to retain his copy of the draft bill.

Id/-
27-9-45

Id/-
27-9-45

u.o. to the S.O.(El.Grade). dt. the 27-9-45.

*with file No. 725/36/II & copy of the draft bill

See and returned with compliments. I have retained my copy of the draft Bill

Id/-
29-9-45

Secy. to P.W.D.

Extracts from file No.Z161/36, dealing with the Northern Gujarat Electric Grid Scheme.

(1) Extract para. 7(c) of letter No.Elg. 149/2304 dated the 20th July 1945, from the Special Officer (Electric Grid).

7(c) Interst during the period of construction and the annual deficits shown in the finiacial statement No.II on page 35 of the report may be sanctioned as non-returnable subsidies in connection with the schemes.

(ii)Extract from the Finance Department, Office Note dated the 28th July 1945.

Para.7(c): Since the deficits shown in the forecast have been arrived at after providing for interest charges it is not necessary to allow both interest during the period of construction and the deficits as non returnable subsidies. It would be sufficient if only the latter is treated as a non-returnable subsidy.

(iii) Extract para. 3 of the Special Officer(Mr.Nadkarni's) note dated 30th July 1945.

3. Para 7(C) of the S.O's letter. It is not clear whether Govt. have accepted the principle of meeting the deficits of the Grid by non-returnable subsidies. If not and the question has to be considered on its merits, there seems no case for such a subsidy in the present case. The North Gujarat Zone schemes is acclaimed as the most promising scheme with potentialities for rapid development. Even for such a profit earning many scheme Govt. is to make non-returnable subsidies, the liability of Gpvt. on the Grid would greatly increase as it may be called upon to bear the deficits of every schemes whether undertaken as profit earning scheme or as schemes specially undertaken at the instance interest of Govt. for giving modern facilities to agriculturists. There is however no objection to meet the deficits of the present scheme in its initial stages

the total amount so met, will have to be repaied to Govt. at least as an interest free loan.

If however as a matter of policy a non-returnable subsidy is to be granted then the subsidy may be limited to deficits only and not cover both the interest charges and the deficits are suggested by the S.O. In the initial years the deficits are not entirely due to interest charges and if deficits are covered by subsidies, there will be no question of gain meeting the interest charges, For purposes of subsidies, the deficits should be worked out on the basis of interest charges only and not include amortisation charges, Other wise Govt. will be subsidising not only the current deficits of the Grid but wiping out a protion of their own capital loan.

(iv) Extract para. 16,17,18,19 and para. 20(c) of the F.D.,Deputy Secy's note dated the 1-9-45, agreed to by the Joint Secy. F.D.

The difference between the results of the forecasts will be apparent from the following statement :-

16. Year	Net profit (S.O.'s estimate Rs. in lakhs.		Net profit Revised estimate Rs. in lakhs.	
1945-46	-0.07)		-0.07)	
	) - 1.49		)	-1.49
1946-47	-1.42)		-1.42)	
1947-48	-2.16)	-5.20	-2.70)	
1948-49.	-1.20)		-1.91)	
	)-3.00		)	
1949-50	-0.35)		-1.02)	
			)	-6.65
1950-51	+0.37)		-0.34)	
			)	
1951-52	+0.26)	+1.36	-0.57)	
	)		)	
1952-53	+0.73)		-0.11)	

It thus appears that instead of the schemes being self-supporting after the third year of its commencement it may continue to run at a loss the loss of course being progressiv diminishing for the first six years for which estimates of load have been given in statemnt III. The finaicial results of the scheme thereafter will depend upon the further development of the load, and the availability of additional power for

this.....

this purpose. Since the new point proposed to be installed by Messrs. Killick Nixon & Co. at Ahmedabad will be of the capacity of 30,000 k.w. and since the load estimates upto 1951-52 account for only 18,000k.w. (vide statement at p.32 ante), there will be a balance of 12,000 k.ws. available for Ahmedabad proper and the further development of the grid. It is not known how much of this power will be appropriated for Ahmedabad which incidentily will have the prior claim to the power generated there. But assuming that some additional power will be abailable for the grid it would not be reasonable to expect further load to develop to make the scheme self-supporting, it has however to be borne in mind that there is a likelihood of the load development being slower than that envisaged in statement III, in which case the losses may continue somewhat beyond 1951-52. The aggregated loss may on basis, until the scheme becomes self supporting be estimated at about 10 lakhs.

17. The question now arises as to how these losses should be met. Mr. Advani has recommended that the deficits should be given as non-returnable subsidies and they should not be charged to future profits. So far, it appears, Govt. has taken no final decision on this very aspect of the question, though it has been held that some sort of subsidies by Govt. will be inevitable. But the extent to which subsidies would be given and the form which they should take have, so far as I know, not been decided upon. There was some discussion on this subject in connection with Mr. Advani's note on Electricity duty. The papers are not available for being put up but I place below a copy of Sir Henry Knight's note* of 8-1-45. He contemplated that a surcharge on electricity may have to be imposed to make good the deficit (by a possible corresponding reduction in the electricity duty). But it will be seen from 'X' of that note that the question of financing the grid was to be considered after the full financial implications of the grid were estimated. No such complete estimate of the financial aspect of the grid has been submitted by the S.O. (El.Grid.); it is suggested that a decision on this question may be postponed until a reliable overall estimate of

* slip ~

of the grid is furnished.

18. There are various alternatives regarding the method in which these deficits can be met. The first method is the one suggested by Sir Henry Knight viz. levying a surcharge on electricity to finance the deficits, this may be in lieu of or in addition to the existing electricity duty. The second method would be one of outright annual subsidies eq to the total deficit in the working of the grid in any par year. The third method possible is by selective subsidies and loans. According to this method Govt. may grant subsidies only in respect of those schemes which are ordinarily unremunerative but which they consider desirable to undertake in order to develop any particular area or industry1. In case of ~~xxxx~~ other schemes like the one under consideration the aid may be in the form of interest free loans as has been suggested in the office note. Govt. may also, if they wish to decide that theentire expenditure on the central grid organisation i.e. the Board and the headquarters staff (including the staff not directly concerned with any particular regional scheme) should be borne by Govt. until the grid is self supporting. The question as to what method or combination of methods should be followed may, it is suggested, be decided on the general case.

I agree that this is a general questio and should be separa ly considered

Id/-
(Jt. Secy. F.-.)

19. So far no reference has been made to the manner of finance the capital expenditure on the grid. It seems to have been assumed that this edpenditure will ipso facto be borne by Govt. This is however not a correct assumption and I suggest that Se0.(Grid) should be asked to make concrete proposals on this subject. Since the grid shemes will be under the management of an autonomous body the Bombay Electricity Board it is necessary that these issues should be clarified. The most suitable way would appear to be for the ~~xxxx~~ Grid Board to raise loans, guaranteed by this Govt. in the open market. This can only be done after the programme of expenditure for the next three or four years on the various schemes is worked out and the schemes almost ripe for execution. Till when the expenditure on the grid activities may, as hither to be financed from the Provl. funds but the amount so spend should be considered as temporary advances to the grid. The geneyal

question and the terms on which the advances should be made be taken up separately.

20(c): Please see para 17 above, It has been suggested that this may be considered as a general case.

I agree this is a general question and should be re considered. (St. Secy. F.D.)

Extract para. 1 of A(R)'s note dated 5-9-45.

I accept F.D's advice on all the points.

Id/-

7627/36

El.Br.(I) P. W. D.

The attached extracts are from file No. 7161/36 dealing with the Northern Gujarat El. Grid Scheme. They pertain to the special Officer's request that the interest during the period of the construction and the annual deficits shown in the financial forecast of the scheme may be sanctioned as non-returnable sub-sidies in con. with the schemes. The decision on that file was that this point should be taken up as a general question and considered separately vide in this connection paras. 17,18 and 19 and 20(c) of the F.D.Dy.Secy's note, concurred in by A(R).

2. The note of Mr. Advani (Special Officer, El. Grid.) on Ely. Duty refd. to in para. 17 of the Dy. Secy., F.D.'s note and the subsequent noting thereon will be found in file No.725/36/II put up below, It will be seen therefrom that the principle of granting subsidy to the Board to meet its deficits has been accepted by Govt. but the extent to which the the subsidies would be given and the form which they should be take has not been decided upon.

The S.O. promised to submit his proposals in the matter and they are awaited. These papers may be refd. u.o. to him with a request to put up in due course his proposals regarding subsidies in the light of the remarks of the Dy. Secy., F.D.

3. The S.O. may also be requested to put up proposals regarding financing of the capital expdre. on the Grid refd. to in para. 19 of the Dy. Secy., F.D's. note.

Id/-6/10/4,
Id/-8/10

† with file no-725/36 II

* † U.O. to the S.O. (El. Grid) dated 9-10-45.

Original in file No.7161/36

Extract paragraph 19 of the note dated 1st September 1945, by the Deputy Secretary Finance Department (Mr.Mathrani) on file No.7161/36, regarding: The North Gujarat Electricity Grid Scheme.

19. So far no reference has been made to the manner of financing the capital expenditure on the grid. It seems to have been assumed that this expenditure will ipso facto be borne by Govt. This is however not a correct assumption and I suggest that S.O. (Grid). should be asked to make concrete propcsals on this subject. Since the grid schemes will be under the management of an autonomous body the Bombay Electricity Board-it is necessary that these issues should be clarified. The most suitable way would appear to be for the Grid Board to raise loans, guaranteed by this Govt. in the open market. This can only be done after the programme of expenditure for the next three or four years on the various schemes is worked out and the schemes almost ripe for execution. Till then, the expenditure on the grid activities may, as hitherto, be financed from the Progincial Funds but the amount so spent should be considered as temporary advances to the Grid. The general question and the terms on which the advances should be made may be taken up separately.

Original in file No.7161/36/33737.

Finance Department (G).

These papers have been referred to F.D. at this stage with regard to the proposals, made in paras. 2 and 3 of the P.W.D. note dated 3-10-45.

Para. 2 of the P.W.D. note:- The P.W.D. proposes, to debit the expenditure on North Gujarat Electric Grid Scheme to "81-A Capital Outlay on Electricity Schemes"/ This debit has been proposed on the analogy of the Electrification Scheme of the concentrated rural areas in respect of which this Deptt. has debited the A.G. has not so far been consulted. (Vide para. 3 of P.W.D. note dated 18-8-45 and para. 6 of this Deptt. note dated 25-6-45 on pp. 39 and 46 respectively of the P.W.D. file No.6729/36(4), in this connection, attention is

is invited to G.L., P.W.D. No.7255/36-E dated 1-2-45 and this Deptt. notes underlying it. It has been decided in consultation with the A.G. that the expenditure on Establishment and Works in connection with the Bombay Electric, Grid Schemes should be debited to "52-A-Other Revenue Expenditure conected with Electricity Schemes and the provision has been made accordingly in the current year's budget. In view of this, it seems desirable to refer the proposals to debit the expenditure on "the Electrification scheme of the concentrated rural areas" and on "the North Gujarat Electrical Grid Scheme" to "81-A" to the A.G. for remarks if any, before a final decision in this respect is taken by Govt. for this purpose, general orders approving the schemes may not be held up. The P.W.D. may be requested to clarify in the orders that the budget head to which the expenditure on these schemes should be debited will be issued later on. If approved, that Deptt. may be advised accordingly.

Para. 3 of the P.W.D. note.

The proposal in this para. may be agreed to.

Id/-
5-10-45.

There is no doubt that the correct head to which expenditure on the North Gujarat El. Grid Scheme should be debited is 81-A and reference to that head need not be omitted from the G.R. The expenditure is ultimately recoverable from the Grid Board. The expenditure provided under "52-A" is for any direct expenditure in Grid Schemes but for general, staff and estabt. for consideration of the scheme. Whether this cost should be also be recovered from the Grid Board will require to be considered separately. For the present the debit to "52-A" need not be disturbed.

Id/-
5-10-45

Id/- V.P.S.
6/10

D.S.....

12

B.S.(B) I agree with U.S. The P.W.D. may be requested to examine the point raised at A of U.S's note separately

Id/-
9/10

u.o.r. to the P.W.D. dated 9-10-45.

7627/36

El.Br.(I) P. W. D.

The extracts within are from the file No.7161/36, dealing with the North Gujarat Electric Grid Schemes.

2 The general question refd. to by his D.S. (P.D.) on p. 24 ante has been taken up in file No.7627/36 which is under u.o.r. to the S.O.(El.Grid) since 8-10-45 with a request to put up proposals in the matter. The S.O. may be requested u.o. to consider the point refd. to at 'A' overleaf also in putting up his proposals.

Id/-
16-2-46

Throl A.B.

Id/-
18-2-46

u.o. to the S.O.(El.Grid). dt. 19-2-46

18/2/46.

ANP.

STATEMENT I

1) **Capital Cost : (Sanctioned Schemes)/**

i) Nursery and Rural Schemes ..	Rs. 36.98	Lakhs.
ii) North Gujarat Transmission Schemes	" 138.15	"
iii) Bhandardara-Randha Hydro Schmme	" 398.80	"
iv) South Gujarat Scheme	" 176.67	"
Total ...	Rs. 750.80	Lakhs.

2) **Capital cost for further Schemes proposed**

i) Nursary and Rural Schemes ..	Rs. 258.86	lakhs.
ii) Bhandardara Hydro Schemes extension and thermal sets at Amalner	" 141.04	"
iii) Koyna Hydro Project.	" 603.92	"
iv) Kalinadi Hydro Project.	" 337.22	"
v) Head Office Building	" 6.00	"
Total	Rs.1346.14	lakhs.

) **Further Schem...**

i) Interconnecting lines and tie lines between power stations.	Rs. 1000.00	lakhs.
ii) Bhatghar Hudro Scheme	" 160.00	"
Total ...	Rs. 600.00	"

Total of Items 1, 2 and 3 :

1) ..	Rs. 750.60	lakhs.
2) ..	" 1346.14	lakhs.
3) ..	" 660.00	lakhs.
Grand Total :	Rs.2756.74	lakhs.

STATEMENT II

Total Capital Expenditure.

Year.	Amount in lakhs Rupees.
1946-47	37.93
1947-48	330.85
1948-49	266.59
1949-50	46.45
1950-51	95.74
1951-52	211.20
1952-53	298.94
1953-54	253.54
1954-55	176.04
1955-56	139.65
1956-57	137.96
1957-58	77.04
1958-59	28.31
1959-60	23.88
1960-61	14.83
1961-62	22.15

Note.- The above is exclusive of the capital Exp. of Rs. 660 lakhs and interconnecting line-s and Bhatg

STATEMENT NO. III

Total Net Revenues.

Year.	Amount in Lakhs of Rupees.
1946-47	- 11.05
1947-48	- 9.85
1948-49	- 18.91
1949-50	- 27.61
1950-51	- 30.27
1951-52	- 19.26
1952-53	- 22.38
1953-54	- 24.95
1954-55	- 35.71
1955-56	- 36.74
1956-57	- 37.85
1957-58	- 30.53
1958-59	- 26.85
1959-60	- 16.98
1960-61	- 10.53
1961-62	- 0.03
1962-63	+ 3.89
1963-64	+ 8.50
1964-65	+ 10.17
1965-66	+ 13.73
1966-67	+ 14.27

N.B.- - shows deficits and

\+ " surplus revenue.

Below P.W.D. file No.7627/36 dated 9-10-45
and 18-2-46

Electric Grid Offices

A Note on the probable capital outlay on Electric Grid Schemes and subsidies, which will be necessary during a priod of 15 years

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1. Schemes already sanctioned : Government has sanctioned up-to-date the undermentioned schemes at the total estimated cost of Rs. 750.80 lakhs.

(1) Rural Electricification(Diesel Sets) Schemes :

Electrification of the towns of Ratnagiri, Chiplun, Malwan, Vengurla and Khed - all in the Ratnagiri District.

Electrification of some villages in the Khed Taluka based upon power being taken from the Khed Power House.

Electrification of certain villages in the Satara Taluka based upon power being taken from the existing power house of the Satara Electricity Company.

Electrification of certain villages in the Bulsar Talhka based on bulk electricity being taken from the existing power house of the Bulsar Electricity Company. Later on, when power becomes available from Government's own steam Station in this region, power will be supplied from that Station.

Total estimated cost of the above Rural Schemes sanctined by Government is Rs. 36.98 lakhs.

(2) North-Gujarat Transmission Scheme :

This Scheme comprises a 66 KV transmission line from Ahmedabad to Baroda and certain subsidiary lines of 33KV and 11 KV as well as electrification of cebtain towns like Kaira, Mahamadabad and certain rural areas. The bulk power supply will be taken from the extended power House of the Ahmedabad Electricity Company. The latter Company has in the course of installation 2 numbers of Turbo Alternator Sets - each of 15,000 KW capacity to supplement their existing Stream Station of about 27,000 KW capacity.

Total estimated cost sanctioned is Rs. 138.15 lakhs.

(3) Bhandaradara-Randha Hydro-Electric Scheme :

This Scheme comprises the construction of two hydro-electric power houses at Bhandaradara and Randha of the installed capacity of 32,000 KW and the building of transmission lines of 66 KV and subsidiary lines of 33 KV and 11 KV right upto Bhusawal for supply of bulk power to a number of licensees and electrification of cehtain rural areas.

The total estimated cost involved is Rs. 398.8 lakhs

(4) South Gujarat Scheme :

It has been decided - although no formal orders of Government have so far been issued - to establish a steam Station in the Surat region, to start with, comprising of 2 numbers of Turbo Alternator Sets - each of 7,500 KW. It is expected that it will be necessary to install a thrid Set about six years from now. The Scheme also comprises the construction of transmission lines from Surat to Bulsar and a short transmission line in the North of Surat as well as a subsidiary 11 KV line and distribution of electricity in certain rural areas. The total estimated cost of the Scheme is Rs. 176.87 lakhs spread over 12 years.

The total capital cost of the Schemes so far sanctioned is Rs. 750.80 lakhs, as per Statement I, attached.

2. Future programme of Power development and Nursery Schemes:

The total capital expenditure proposed on the below noted Schemes, is Rs. 1346.14 lakhs.

(1) Nursery and Rural Scheme

In the future programme of capital outlay, it has been presumed that Government would desire that every two years, rural electrification should be undertaken costing about Rs. 37 lakhs. The period of two years has been put in as it is estimated that Scheme No.(10) of rural electrification mentoned in paral 1. can be completed in about two years.

(2)....

(2) North-Gujarat Electric Grid Scheme :

No further provision is proposed.

(3) Bhandaradara Hydro-Electric Scheme :

As mentioned in the Report, Summitted to Government, it will be necessary to put down one more Hydro Turbo Set at Randha and also to establish a steam thermal station in the Amalner region in order to make full use of the Monsoon water in the Bhandaradara Hydro-Electric Project and in order also to supply the industrial load adequately in this area.

(4) South Gujarat Scheme :

It has been mentioned in para. 1 (4) that a provision for a third Turbo Set has been made in the capital cost.

(5) Koyna Hydro Project :

It has been presumed that hydro electric resources in the South of the Province - soecially Koyna and Kalinadi - will be developed. Some work in connection with Koyna Hydro electric project has been carried out from time to time during the last 25 years. No field survey work has been carried out by this Department but a study of the existing reports and data has been made by the Grid Department and in approximate development programme has been prepared. This Scheme, when fully developed, may be capable of meeting a maximum demand of approximately 222,000 KW at 60% load factor. In the capital envisaged to be expended during the next 15 year-period, it has been assumed that this source will be developed to provide for a maximum demand of 36,000 KW at 55% L.F., although the Dam foundations and the power house itself will be designed in so as to make extensions from time to time possible in order that ultimately the full maximum demand of 220,000 KW may be possible.

So far as the Koyna development is concerned, preliminary load surveys have shown that there is sufficient existing power load to justify the first stage development proposed.

The estimated capital expenditure on this Scheme provided for in the programme is about Rs. 603 lakhs.

(6)....

(6) Kalinadi Hydro Project :

Provision has been made for the development of Kalinadi Hydro, for supply of power in Belgaum and Hubli-Gadag area. No field survey work has been carried out by the Department. From the information available in Meer's report, it would seem that this Scheme, when fully developed, is capable fo meeting a maximum demand of about 60,000 KW at 60% load factor. The initial development engisaged will provide for a maximum demand or 20,000 KW at 55% load factor. The capital expenditure provided for, however, allows for a design of the power house and Dam and tunnels to make full development of maximum demand of about 80,000 KW altimately possible.

Although the maximum demand which could be met as provided for is 20,000 KW, the immediate lead in view is 12,000 KW. It is presumed, however, that in this area specially, i.e., in Kanara area, Government will adopt a very active industrial policy of attracting such industries as Paper and Rayon, to enable the sale of 20,000 KW.

The estimated capital expenditure on the first stage of development is abour Rs. 337 lakhs.

(7) Cost of building for the Electric Grid Offices in Bombay:

It is expected that it will be necessary to put up a special building for the Electric Grid Office in Bombay. A privision of Rs. 6 lakhs is made on this account.

3. Future programme of interconnecting transmission lines :

In addition to the capital expenditure, referred to in paras. 1 and 2, it is likely that capital expenditure on transmission lines interconnecting various sources of power-power - both hydro and thermal - will need to be provided for. A line may be put up to bring Jog Hydro Power for use in the South most part of this Province. This expenditure, which may amount to about Rs. 500 lakhs, is, however, not likely to be undertaken, unless the conditions then prevailing show that the lines will be self-supporting within a short time and that no appreciable subsidies will be required.

It....

It is also probable that it may be considered desirable to develop Bhatgar Power to feed into the Koyna development. Here again, because of the abundance of power available from Koyna, Bhatgar is not likely to be developed, unless it can be shown that it will become self-supporting within a very short time and will not require any appreciable subsidy. The estimated approximate cost of Bhatgar development, if it takes place, will be Rs. 160 lakhs.

The total expenditure on these two classes of development is Rs. 660 lakhs.

4. Arrangement of programme of works.

The programme of development has been arranged, keeping in mind the probable organisational resources of the Grid Department and likely demand for power. While Bhandardara is being organised for going into service in 1950-51, Koyna is programmed for going into service in 1954-55, and Kalindi in 1957-58. As regards the thermal stations, it has been planned that Surat Station would go into service in the beginning of 1949 and East Khandesh in 1954-55.

5. Total capital expenditure

In arriving at the total capital expenditure, the following basis have been adopted.

(i) The cost of plant and works for all Schemes is taken at the rate ruling at present.

(ii) 2½% of capital cost has been included for the Bombay head office charge and 1% has been allowed to cover inspection of the plant in England and other miscellaneous expenditure.

(iii) A permanent building for Grid offices at Bombay is assumed to cost Rs. 6 lakhs.

Summarising it may be stated that capital expenditure on schemes sanctioned or about to be sanctioned is estimated at Rs. 750.8 lakhs.

Capital expenditure on future major schemes of power development referred to in para 2. is estimated to be Rs. 1346.14 lakhs.

Probable additional capital expenditure referred to in para. 3 amounts to Rs. 660 lakhs, which, together with Rs. 6 lakhs for Bombay headquarters building, makes a total outlay of Rs. 2756.94 lakhs.

Statement II attached gives the capital expenditure which is expected to be incurred, year by year, for the next 15 years commencing from the year 1946-47.

6. Financial Forecast and Subsidies :

The financial forecast adopted for schemes already sanctioned - vide para. 2 and 3, it has been calculated on the following basis :-

(i) Capital will be available at 3½% interest.

(ii) Maintenance and operation charges has been adopted at 2 per cent. Which is the percentage adopted in the Schemes already sanctioned.

(iii) Depreciation for present day costs of plant, based on the life periods for different items given in the Electricity (Supply) Bill, 1946, computed at 3% compound interest, has been provided.

(iv) The average rate adopted for sale of power is 0.5 of an anna. Some of the smaller consumers will pay more, and some of the large consumers will pay less.

(v) Headquarter staff cost has been taken less the amount met from 2½% capital charges - vide para, 5 (ii).

Statement III shows the subsidies necessary to cover deficits year by year. It will be noted that starting with a deficit of Rs. 11 lakhs in 1946-47, and with a peak deficit of about Rs. 38 lakhs in 1956-57, the Board's Finance are expected to be self-supporting roundabout 1961-62 i.e., in about 15 years. The figures of deficit by themselves do not give a very clear picture of the magnitude of the operations involved. In this connection it is of interest to note that in the year 1962-63 the anticipated first self-supporting year - the estimated gross revenue is of the order of Rs. 190 lakhs (assis 0.5 anna a unit overall) and expenditure of the order of Rs. 186 lakhs, including the Head Office expenditure of about Rs. 11 lakhs.

As regards the financial return of the Koyna and kalindi Hydro and East Khadesh thermal Schemes mentioned in paras 2 and 3 it has been calculated on the following basis:-

7. I attach hereto two graph sheets - one showing the capital expenditure year by year for each of the Schemes, and the other, showing the annual estimated deficits and surpluses, The total expenditure incurred on the headquarter staff less the charge on this account debited to the capital expdnditure has been included in the estimates, and is shown both in the statement and the curves. Although the capital expenditure shown is for a period of 15 years, the revenue curves and statement II show the deficits and revenues for 20 years. This has been done in order to work up to the revenue from the full sale of power of the plant installed under the various schemes, for which capital expenditure has been shown. It is to be noted that capital expenditure is calculated at the comparatively high rates ruling at present. As the actual capital expenditure on the Schemes in para. 2 and 3 will start to be incurred about 5 years from now, and will be spread over some 7 years thereafter, it is hoped that the actual expenditure may be less than that provided. In such a case, fixed charges in the shape of interest, maintenance and depreciation will be proportionately reduced. It follows that in such an event, the financial forecast presented may show an improvement.

8. It is inevitable that the proposals detailed in the previous paragraphs must be tentative. There will probably be several directions in which they will need modifications, when they come to be implemented, more particularly the programme of work and distribution of capital expenditure. They provide, however, a reasonably good idea of the capital expenditure involved, deficits to be met, extent of hydro resources to be developed and area served with electricity. About all, they give an overall picture, which is recommended to be adopted as a target.

9. Nature of Subsidies :

I recommend that subsidies in respect of all the Schemes should be non-returnable, In this connection, and reference..

reference is invited to my u.o.r. note No.Elg. 67/1938,

dated 2nd May, 1946, in F.D. file No.6111/33/2.

Id/-.
5/2/46

Secy to Govt.
P. W. D.

u.o.r. No. Elg.67/1939
Bombay, 2nd May, 1946.

Encls: 3 statement

& 2 Curves.

Id/-
3/5/46

(Below P.W.D. File 725/36-II).

No.S:23-A

Finance Department.
Bombay Castle, 13th May 1946.

Returned to the Special Officer Electric Grid.

Sd/-
Special Officer (Reconstruction Finance)
Finance Department.

Id/-
13/5/46

Electric Grid Offices.

P.W.D. file No.725/36-II is returned herewith. In this connection a reference is invited to my two U.O. Rs. Nos.Elg. 67/1938 and Elg.67/1939 dated 2nd May, 1946. The former U.O.R. was, through an error, sent to the Secretary, Finance Department I understood, it has been passed on to the Secretary, P.W.D.

Secy. to P.W.D.
Govt. of Bombay
U.O.R.No.Elg.67/1938
Bombay, 17th May, 1946.

Id/-
17/5/46

7627/36/19011

El. Br. (I) P. W. D.

Submitted with ref. to the O,N., dated the 6-10-45, and 16-2-46.

2. The questions at issue in these papers are:-

(i) How the capital expdre. on the Grid Schemes should be met?

(ii) How the deficit on the working of these schemes should be met till they are self supporting and how they should be treated ?

(iii) Recovery from the Grid Board of the expedre. incurred on the general staff and estabt.

3. Item(i): The expdre. at present is being financed from the Provl. Funds. In his note on the North Gujarat Electric Grid Scheme the Dy.Secy., F.D. suggested* that the S.O.(El. Grid) should be asked to make concrete proposals on the sub. and noted as fallows:-

Vide extract para 19 on p. 17 ante.

"Since the Grid schemes will be under the management of an autonomous body-the Bombay Ely. Board, it is necy. that these issues should be clarfied. The most suitable way would appear to be for the Grid Board to raise loans, guaranteed by this Govt. in the open market. This can only be done after the programme of expdre. for the next three or four years on the various schemes is worked out and the schemes almost ripe for execution. Till then the expre. on the grid activities may, as hither, to, be finance from the Provl. Funds but the amounts so spent should be considered as tempy. advances to the Grid. The general question and the terms on which the advances should be made may be taken up separately.

4. Item(ii) The Dy. Secy., F.D. in his note on the North Gujarat Grid Scheme, refd to above pointed out the various alternatives reg: the methods in which these deficits can be met and suggested consideration of the question after the complete estimate of the financial aspect of the Grid has been submitted by the S.O.(El.Grid).

on p.16-17 ante

5.....

5. Item (iii) : It is dependent on items (i) and (ii) above.

6. The S.O.(El.Grid) has accordingly submitted a note on the probable capital outlay on the El.Grid Schemes and the ~~maximum~~ subsidies which will be necy. during a period of 15 years. The note, which is self explanatory will be found an pp. 31-39 ante. The S.O. has however submitted his remarks on the three questions refd. to above in his note on the linked F.D. papers. The requisite further remarks with refd. to these papers. No action is necy. on these papers beyond keeping them as f.p. of the linked F.D. papers.

Id/-
5-6-46

The Grid Project 1.2.3 (S.No. according to the S.O's note) were already been ~~gu~~ fully noted upon and the relevant files are with the H.M.,P.W.D. The other Project can be examined when full details are received. At this stage it is not possible to offer any remarks except that Koyna has been regarded as one of the finest sites for generating hydro-electricity in India. I believe H.M.,P.W.D. would like to see the S.O's note.

2. The question ~~in~~ of financing the Grid Schemes and meeting the deficits in the initial years has been dealt with in file No. 6111/33/2 of the F.D. put up herewith as a linked case.

Id/-
10/6/46

No action is necessary on this file submitted for information.

Id/-
H.M.,P.W.D. 12/6/46

Id/-
12/6/46

Id/-
17/6/46

ANP.

F.D.6111/23A/7647.

P. W. D.

El.Br.(...

The questions at issue in these papers are -

(i) How the capital expdre. on the Grid Schemes should be met?

(ii) How the deficits on the working of their schemes should be met till they are self supporting and how they should be treated?

(iii) Recovery from the Grid Board of the expenditure incurred on the general staff and establishment.

Pl. see in this connection the F.D. noting and the S.O.(El. Grid)'s remarks on pp ante.

2. As regards (i) The F.D. suggestions are ~~[illegible]~~ (a) that El.Grid Schemes should be financed by independent loans raised by the Grid Board it self with Govt. guarantee,

(b) That during the interim period i.e. till the Grid Board is formed, Govt. may continue to meet the capital cost on the schemes from the Provl. Funds as hetherto and treat it as an advance to the Board.

(c) that of the Grid Board is not likely to be formed during the course of the year 1946 it may be advantageous for Got. to raise a separate loan for meeting the cost of the Grid Scheme during the interim period.

(d) at in either case at (b) and (c) above the amount should be made repayable by the Grid Board,

(e) that the amount advanced by Govt. should be made repayable with 3½% interest.

(f) that if a loan is raised by Govt. to meet the cost of the Grid Scheme the annual interest and sinking fund charges thereof together with the incidential expdre. that may be incurred on ~~km~~/loan should be paid by the Grid or in the alternative the Grid should enter into an agreement with Govt., undertaking upon itself the liability to repay the interest charges annually and the loan at the date of its maturity, reimbursing to Govt. the incidiential expenses separately.

3. The S.O. is in agreement with the suggestion that the Grid schemes should be financed from separate loans and their cost should not be debited to the Provl Funds. He also agrees that the capital expdre. that might be incurred before the Board comes into existence should be treated as a loan to it. But he suggests that even after the Board comes into existance Govt. should continue to advance to it on loan sums reqd. for its various schemes as it would be somewhat cheaper enter for Govt. to raise the loans for the purpose than the Board were to do so even under a guarantee of Govt. as to both the principal and interest, and the Board should enter into agreement with Govt. undertaking upon itself the liability to repay the actual interest charges etc. as suggested by the F.D.

4. It is for consideration whether this may agree with the S.O...

In this con. attention is invited to the note of the S.O.(El.Grid) in the linked case which inter alia gives reasonably a good idea of the capital expdre. involved during a period of 15 years. It will be seen the S.O. estimated a total capital expdre. of Rs. 2756.94 lakhs out of which Govt. has so far committed to an expdre. of Rs. 751.00 lakhs for the following schemes.

	Rs.	
1. Nursery and Rural Schemes	36.94	lakhs.
2. North Gujarat El.Grid Schemes	138.15	-do-
3. Thaddardara-Cum-Randha Hydro El.Dev. Scheme.	399.00	-do-
4. South Gujarat Scheme	151.87	-do-
	751.00	-do-

(Schemes Nos. 1 to 3 have been actually sanctd. Detailed project in reapect of scheme No. 4 is awaited from the S.O. but Govt. has approved the same in prinpipie).

Statement (ii) The graph (marked A) submitted by the S.O. shows the capital expdre. which is expected to be incurred year by year. It is exclusive of the capital expedre. of Rs. 500/- lakhs on account of inter connecting lines and Rs. 160 lakhs on account of Bhatgar Scheme as the S.O. says it is at present difficult to foresee when this expdre. will be i incurred.

5.....

5. Reg (ii) in para. 1 above :- In para. 1 above pl. see para. 3(b) and para. 4 of the S.O.(F.& R)'s note dated the 4.1.46 and the S.O's remarks in para 3 ~~of~~ to 6 of his note dated the 2-5-46. Attention is also invited to the S.O's. remarks in paras. 6 to 9 of his note, dated the 2-5-46 in the linked case. The statement II and the graph 'B' submitted by the S.O. show the details and revenues estimated for a priod of 20 years. As regards the nature of these subsidies the S.O. is strongly of opinion that they should be non returnable and that they should be financed from the Elecy. duty at present in existan or frim the post War reconstruction fund. It is for consideration whether the reasons given by the S.O. this Deptt. may ac accept his opinion.

As observed by the S.O. Government has generally accepted the policy of payment of subsidies to the Board.

6. Reg.(iii) in para. 1 above pl. see the remarks of the S.O. in para. 6 of his note. He is of opinion that the ~~~~ expenditure incurred on the staff appointed to examine and execute the grid schemes should be treated as party of the prilimiary expdre. incurred on exam. of the various Post War Reconstruction schemes of Govt. as a whole. For the reasons given by the S.O. his ~~~~ opinion may be accpted. If the principle of giving non returnable subsidies to the Board is accepted the question will be of no practical importance as observed by the S

7 The ~~~~posals of the S.O.(El.Grid) in the question of the giving out of el. appliances on the hire purchase system refd. to in para. 5 of the S.O.(F.& R)'s note dated the 4-1-46 are under u.o.r. to the F.D. in this Deptt. file No. 7525/36 since 22-1-46.

8 It is fairly obvious that until the Grid is firmed establishment and is able to inspire complete confidence in the minds of the public it will be cheaper for Govt. to raise the loans. It the end of the deficit years the Grid Board will presumably reduce the tariffs

since making profit is not an object of the Board.

2. It therefore follows that it would be in the best interest of the Province and the future Gird Board for the Govt. to raise the necessary loans until the prime object of deficits is over and the Grid Board becomes self supporting. The Grid Board should then be able to raise loans on its own for repaying Govt.

3. The implications of the proposal that the deficits of the Board in the initial years should be borne by Govt. by giving non-returnable subsidies to the Board should be considered very carefully.

4. The large Grid Schemes and the Nursery schemes have entirely different objects. The former schemes involving very heavy expenditure are for the primary object of making electricity cheaper at places where it is available at present, (All the three major schemes - A'bad, Bhandardara, Surat are of this nature) while the latter schemes proposed to provide electricity at places where it is not available at present. The former schemes have a definite economic and commercial motive which is more or less absent in the Nursery schemes. The former schemes therefore will have to prove their justification from the commercial and economic point of view

5. Non-returnable subsidies given by Govt. will be net loss to the Province and Govt. must be satisfied that the benefit to the people is commensurate with the amount spent In the Bhandardara Scheme for example the total population of the towns which are are to be supplied with electric power under the project is approx. 3,66,000 including Nasik-Deolali and 2,94,000 excluding Nasik-Deolali. The tariff contemplated under the Grid will not make very great difference to the Supply Co's cost of generation at Nasik-Deolali. Thus and it is therefore not likely that the consumers in Nasik-Deolali will be particularly benefitted on account of grid supply. It may therefore be assumed that the Bhandaradara Project will primarily cater for a total population of about 3,00,000.

6.....

6. The loss incurred over the Bhandardara scheme will be of the order of about 50-60 lakhs of rupees (scaled from the graph) if the forecast of load development is realised. It has all along been held by the P.W.D. that the forecast is very optimistic. In para. 4 of this note the S.O. admits that the Tata Hydro El. Schemes have taken a long time to become self supporting inspite of the fact that heavey concentrated load was availale in the city of Bombay. The Grid Schemes which are comparatively much more unfavourable in the matter of loads, distances of transmission and cost of generation, have therefore a very little change of becoming self-supporting in less than 10 to 15 years. Govt. should therefore fully realise this and be prepared to pay much larger amounts of subsidies than shown in the projects

I agree with the S.O. that it would not be desirable to levy any surcharge on electricity or increase the existing duty on electricity to meet the deficits.

7. The expenditure on account of the tech. staff for working out engineering details of the schemes and executing them should from a part and parcel of the capital expenditure to be incurred on account of the schemes may be dealt with accordingly.

Id/
20-6-46

I agree with the note of the Dy. Secy (I & R) but this question seems to me to be one for the financial advisers of Govt. to decide, I feel that it will be a very long time indeed before some of the costly grid Schemes become self supporting.

Id/-
22-6-46

(after H.M.P.W.D. has seen)

P.T.O.

F.D.6111/33/2/200015

El Br. P. W. Deptt.

The questions dealt with in these papers are :

(i) How the capital cost of Grid schemes should be met after the Grid Board is established.

(ii) How the capital cost on Grid schemes should be met during the interim period i.e. till the Grid Board is established.

(iii) How the deficits on the working of these schemes are to be met till they become self supporting.

(iv) Recovery from the Grid Board of the expenditure incurred on the general staff and estabt.

(v) Whether any subsidy should be claimed from the G. of I.

The previous notings of the El. Commr. and this Deptt. in the matter will be found on pp. ante.

2. At the outset it may be stated for information that largely at the initiative of this Govt. the G. of I. introduced in the Central Legislature during the budget session of 1946 a Bill entitled 'Elevtricity (Supply) Bill, 1946. Owing to the constitutional changes impending at that time, the Bill was not proceeded with and lapsed. It was reintroduced in the India Parliament last year as 'Electricity (Supply) Bill, 1948 and refd. to a Select Committee. The select Committee has amended the Bill. The Select Committee's report with the amended Bill is republished in the Govt. Notification No.6730/36(1) El., dated the 31-3-48. It is likely to come up for discussion in the next session of the Indian Parliament. In fact we have passed the G. of I. to arrange for the passage of the Bill in the next session of the Indian Parliament. The Bill provides for the formation of a Provl. Board. As soon as the Bill becomes law, it is proposed to set up the necy. Board in this Province and when this is done the management of the Grid Schemes will be taken over by that Board.

3. Re: Point (i) in para. 2 above. Section 64 of the Electy. (Supply) Bill, 1948 (new Section 66 of the Bill as amended by the Select Committee) authorised the Board to raise loans for

its schemes. The El. Commr. and thid Deptt. has agreed that Grid Schemes should be financed from separate loan but suggested that Govt. should raise a loan as it would be cheaper for Govt. to raise the loan when if the Board were to do so even under Govt. guarantee and that after the Grid Board becomes self supporting it should raise the necy. loan for repaying Govt. This suggestion is not accepted by the Board to meet all expenditure on large main Grid and nursery schemes though the Provl. Govt. will not object to give a guarantee under Section 65 of the Electy. (Supply) Bill, 1948 (new section 66 of the Bill as amended by the Select Committee) if the approved bankers advice that a guarantee is necy. If however the Board finds it difficulty to raise money or if the market conditions are not oppertune Govt. might grant short term advances which may be limited to one year.

The F.D. that Deptt. suggested that loan should be raised by

2. Re: point (ii). The F.D. suggests that the schemes may be financed by advances from Govt. i.e. all the expenditure incurred on the Grid till the date of constitution of the Board should be regarded as an advance repayable in suitable installments at the rate of 3½%.

5. Re: (iii). The El. Commr. is of opinion that no distinction in the schemes should be made in regard to repayment of subsidies and that they should be non-returnable This Deptt. has observed that the implication of the this proposal need to be considered very carefully. The F.D. observed that the question is a difficult one to decide. Some schemes may never become self supporting, some may just cover the recurring cost on estabt. repairs and interest charges and some may bring in a profit after covering these charges and some may bring in a profit after coveirng these charges after some years. That deptt. therefore suggests the following grouping of the schemes:-

I Schemes specially suggested by Govt. to develop rural areas. and

II other schemes.

Schemes under I may further be divided into (a) productive and (b) unproductive productive schemes being those

which may bring specific amount if of return after a specified paired. Non returnable subsidies to cover deficts should be granted only to schemes under Rule I(b) and on other schemes i.e. I (A) and II the subsidies will be returnable i.e. advances may be given. The questiam whether any interest should be charged or not may be decided after two years working of the Grid.

6. Re: (iv). The El. Commr. was of opinion that the expenditure incurred on the staff appointed to examine and execute the schemes till the Grid Board is formed should be treated as part of the preliminary expenditure incurred on the examination of the various i to v schemes and should not be recovered from the Board. The Deptt. has not however agreed with the opinion and has suggest suggested that the expenditure on staff should be treated as part and parcel of the capital cost of the schemes and should be dealt with accordingly. The F.D. agrees with this suggestion and states that expenditure so-incurred till the Board is established should be treated as advance to the Board to be recovered with interest.

7. Re. (v). In the circumstances explained in para. 12 of the F.D. office note, dated the 21-1-47 the question of claiming any subsidy from the G. of I. in respect of Grid scheme does not arise.

8. Before Govt. orders are taken on the suggestions of the F.D. noted in the foregoing paras., the papers may be refed. u.o. to the El. Commr. for remarks, if any.

Id/- S.G.J.
11/6/48

Id/- A.G.M.
16/6

Id/- N.P.G.
17/6

u.o. to El. Commr. dt. 18-6-48.

ANP.

Bombay Government's Development Programme for 1947-48

List 1

Schemes eligible for financial assistance from Central grants.

A-Interim schemes which are continued in 1947-48.

S.No.	Scheme No. in the revised 5-year plan.	Brief Description.	Remarks.
(1)	(2)	(3)	(4)
		AGRICULTURE.	
1	17	Expansion of irrigation facilities by (a) Construction and improvements of walls and tanks, and, (b) Erection of pumping plants.	Excluding recoverable loans and advances.
2	36	Expansion of the Headquarter Staff of the Agriculture Engineer to Govt.	
3	54	Forest rehabilitation.	
		MEDICAL AND PUBLIC HEALTH.	
4	117	Establishment of a Medical college at Ahmdabad.	
5	128	Extension of the Malaria Organisation by the formation of two additional quads.	
6	130	Establishment of District Health Organisation in each district.	
		EDUCATION.	
7	79	Training of Primary teachers.	
		B-New Schemes.	
		AGRICULTURE.	
8	5	Training of Village guides.	
9	6	Vocational training of ex-servicemen.	To be financed under special arrangements with the Govt. of India Labour Ministry's Scheme
10	8	Establishment of a college of Agriculture at the Institute of Agriculture, Anand.	
11	9	Opening of a College of Agriculture at Karnatak.	
12.	15	Extension and Organisation of vegetable and fruit cultivation in suitable areas.	
13	23	Expansion of agricultural research.	
14	25	Research and extension work in bee-keeping.	As regards net cost to Govt.

2.....

(1)	(2)	(3)	(4)
15	27	Provision of adequate staff and contingencies for conducting district work of the Agricultural Department.	
16	33	Research work in urgent problems connected with agricultural engineering.	
17	40	Rural Development Organisation under the Agricultural Department.	
18	41	Organisation of a Publicity and Propaganda Section for rural propaganda.	
19	42	Setting up of workshops for the manufacture of and repairs to agricultural implements and machines.	As regards net cost to Govt.
20	43	Expansion of Statistical Section.	
21	211	Facilities for Agricultural Course.	
22	217	Agricultural Improvement.	
23	222	Discretionary grant with the Backward class Department.	
24	226	Milk Schemes.	May be financed from loan money if it is a productive scheme.
		VETERINARY.	
25	48	Expansion of Supervisory staff of the establishment of Animal Husbandry Research Station. Civil Veterinary Department.	
26	49	Expansion of investigation staff and establishment of Animal Husbandry Research Station..	
27	50	Manufacture of sera and vaccines in the Province.	
		FORESTS.	
28	55	Communications.	
29	58	Creation of an additional territorial conservator's circle.	
30	60	Creation of a Forest Engineering circle.	
		FISHERIES.	
31	154	Study of marine biology and establishment af an aquarium at Bombay.	
32	155	Development of Inland Fisheries at Khooli, etc.	As regards net cost to Govt.
33	156	Higher techinical training for fishermen's Children.	
34	157	Subsidies and loans to fishermen to adopt modern fishing methods.	Part of expenditure to be given as loans to fisher men should be finan ced from loan money

(1)	(2)	(3)	(4)
35	160	Establishment of ice and cold storage plants along the coast.	Part of expenditure to be given as loan to fishermen should be financed from loan money.
36	161	Establishment of Marine Biological Research Stations.	
37	158	Establishment of Fisheries Schools at important fishing centres along the coast.	
		COOPERATION.	
38	69-A	Extension of the Bombay Tenancy Act, 1939.	
39	65	Organisation of Co-operative Better Farming Societies.	
		MEDICAL	
40	114	Training abroad in Nutrition work.	
41	121	Coversion of dispensaries into cottage Hospitals.	
42	122	Creation of Posts of subsidies Medical Practitioners.	
43	123	Opening of three tuberculosis Hospitals.	
44	124	Establishment of four leper colonies.	
45	125	Establishment of infirmeries at Bombay and Ahmedabad.	
		PUBLIC HEALTH.	
46	129	Permanent Plague Organisation.	
47	131	Establishment of combined medical and public Health Units.	
48	132	Establishment of two more Health Units in the Province on the lines of the Health Unit at Sirsu	
49	136	Public Health Projects.	As regards net cost to Govt.
50	137	Improved village water supply	
51	139	Expansion of the town Planning and Valuation Department.	
52	218	Health Improvements	
		EDUCATION.	
53	84	Strengthening of Inspecting Staff.	
54	86	Establishment of an Industrial School at Satara.	

(1)	(2)	(3)	(4)
55	87	Establishment of an Industrial School at Hubli.	
56	88	Establishment of an Industrial school at Bijapur.	
57	89	Reorganisation of the R.C.Technical Institute, Ahmedabad.	In so far as thisis connected with approved development scheme.
58	90	Hostels for girls.	
59	91	Agricultural Bias Schools.	
60	92	Opening of primary schools in schoolless villages.	
61	93	Provinsinn of play grounds and schools farms.	
62	94	Opening of four more Agricultural High Schools.	As regardss net cost to Govt.
63	95	Opening of more technical high schools	" "
64	96 97	Construction of buildings for full grade and lower grade primary schools.	
65	98	Medical Inspection and treatment of schools children.	
66	100	Physical education.	
67	101	Secondary education.	
68	102	Establishment of an additional Engineering Collage.	As regards net cost to Govt.
69	105	Visual education.	
70	106	Adult education	
71	103	Special Organisation for industrial and techincal education.	To be linked with labour Ministry's schemes and financed under spl. arrangements with the Govt. of India.
72	107	Establishment of libraries.	
73	108	Museums.	
74	109	Craft training in primary schools.	As regards net cost to Govt.
75	200	Advancement of fine arts and culture.	
76	198	Grant-in-aid to institutions conducting social services.	
77	208	Primary Education.	

78..

(1)	(2)	(3)	(4)
78	209	Secondary Education.	
800	220	Additional staff for Backward class Deptt.	
79	210	Higher education.	
81	224	Construction of a Backward class Hostel at Poona.	
82	70	Training of wool-weavers in improved methods of hand weaving and spinning at a technical institute.	
83	140	Expansion of the Apprentice Scheme 1.	
84	146A	Reorganisation of the Tanning Institute and leather working school, Bandra.	
85	149	Appointment of Fibre Expert.	
86	147	Appointment of 8 District Industrial Officers.	
87	146	Expansion of the Industrial Engineers Workshop.	
88	145	Expansion of the Industrial Chemist's laboratory.	
89	148	Appointment of footware and leather goods expert.	
90	205	Training abroad in formentation and Distillery management.	To be financed under special manggement with the Govt. of India.
		<u>Roads.</u>	
91	195	Roads.	
92	204	Establishment of a Road Test Track and soil Mechanics Research Station.	
		<u>MISCELLANEOUS.</u>	
93	76	Minor Irrigation Works	
94	77	Reclamation of Khar and Khajen lands	Only in respect of unproductive part of Expenditure.
95	74	Prevention of fragmentation of and consolidation of agricultural holdings.	
		<u>LABOUR AND LABOUR WELFARE.</u>	
96	162	Training of Labour Officers in U.K.	This should be linked up with the relevant Central Govt(s Scheme, if any.
97	163	Completion of the 'A' type Labour Welfare Centre at Sholapur.	

98.....

(1)	(2)	(3)	(4)
98	164	Additions to and alterations in the recreation Centre at Ahmedabad.	
99	165	Establishment of 'B' type centres, one each at Baroach, Barsi, Amalner, Viramgam, Surat, Jalgaon, Dhulia, Nadiad, and Hubli, and three at Bombay.	
100	166	Opening of two additional 'A' type centre, one at Ahmedabad and the other at Sholapur.	
101	167	Expansion of cinema activities of the Labour Welfare Department.	
102	168	Establishment of additional 'C' type centres.	
103	169	Construction of swimming pool at Worli.	
104	170	Research into industrial diseases and hazardous occupation.	
105	203	Establishment of a water board.	
106	177	Government Industrial Training Workshops at Bombay, Ahmedabad, Sholapur and in Karnatak.	
107	212	Training in professions and trades.	
108	216	Vocational Training.	
109	225	New Building for the Backward Class officer.	

List II

Interim Schemes which are continu in

1947-48

S.No.	Scheme No. in the revised 5-year plan	Brief description.	Remarks.
(1)	(2)	(3)	(4)
		MAJOR IRRIGATION.	
1	2	Vir Dam Project (Serial No.7) Meshwa Canal project (serial No.1) Gangapur Dam Project (serial No.2)	May be financed from loan money.
		ELECTRICITY.	
2	1	Electric Grid.	" "
		B-NEW SCHEMES.	
		AGRICULTURE.	
3	220	Tagavi Loans.	" "
		Co-operation.	
4	69	Extension of the Money Landers' Act, 1946	May be financed from Provincial Funds.
5	64	Establishment of Cooperation Workshops.	May be financed from loan money.
		Industries.	
6	151	Plant for the manufacture of Fountain pens and fountain pen nibs.	" "
7	150	Plant for the manufacture of lead pencils.	" "
		MISCELLANEOUS.	
8	75	Introduction of Record of Rights in Dhoti and Inam Villages.	May be met from Provincial revenues
9	194	Housing of Industrial Workmen.	May be financed from Loan Money.
10	196(b)	Buildings not included in any departmental schemes.	May be financed from Provincial Funds.
	196(c)	Office accommodation.	" "
	196(d)	Residential accommodation.	May be financed from Loan Money.
11	219	House-Building Society.	" "
12	81(14B)	Sending abroad of private students and Govt. servants for training.	So far as it relat to sending abroad private students, it is covered by the Department of Education Scheme of overseas Scholarships and as regards Government servants who appear to be entitled to study leaveterms the expenditure on them may be met from the Provl. revenues.

ANP.

No. 347/RC-Bombay.

GOVERNMENT OF INDIA
DEVELOPMENT BOARD

NEW DELHI, 11th November 1947.

To

The Chief Secretary to the Government of Bombay,
Reconstruction Department (P.& S.D.),
Bombay Castle, BOMBAY.

Subject:- Bombay Government's Development Programme for 1947-48

Sir,

I am directed to refer to your letter No.858-II-H, dated the 2nd January, 1947, and to forward herewith two lists of development schemes which have been generally approved by the Government of India for execution in 1947-48. List 1 contains schemes which have been generally approved as eligibel for the Central Grant. List II contains schemes which, though unobjectionable in themselves, should be financed, in the opinion of the Government of India, otherwise than from the Central Grant.

2. In this connection, I am also to invite your attention to this Office letter No.50/RC/47 dated the 11th July, 1947 and the Finance Ministry's letter No.F.5(3)-P/47 dated 14th August, 1947 regarding development grants for the financial year 1947-48.

3. Further communication in respect of the remaining schemes will follow.

I have the honour to be,
Sir,
Yours Most obedient servant,

Sd/- R.JAGANNATHAN,
Assistant Secretary to the Development Board.

ANP

P.T.O.

Extract paragraph 2 and 3 of Reconstriction Department note, dated the 20th November, 1947

Letter from the Government of India, Development Board, dated the 11th November, 1947.

2. Please see our letter to the Government of India, No. 858-I, dated the 2nd July, 1947, in which we asked for its approval to the schemes in the Revised Five-Year Plan for purposes of its annual block grants. The Government of India 'generally' approved the Plan in its letter, dated the 1st November, 1947, It has now forwarded a list of the individual schemes approved for purposes of its block grants. It has also indicated in another list schemes which in its opinion should be financed otherwise than from the Central grants. The lists do not cover all the schemes in the Revised Plan and a further reference is promised in respect of the remaining schemes.

2. At present we have not separated the financing of individual Post War/Reconstruction schemes in the manner envisaged by the Government of India. All expenditure on these schemes is being met from Provincial Revenues, the subsidies from the Government of India and other resources (e.g. loans, if any) being adjusted suitably. In other words, all resources are pooled together for financing the and expenditure on Post War Reconstruction schemes. The implications of the Government of India's present letter in their bearing on the financing of the Plan in general and on the Central assistance in particular will therefore have to be examined in detail in consultatinn with the Finance Department. Copies of the letter and its accompaniments (together with extracts of paragraphs 2 and 3 of this note) may be sent to Heads of Departments and Administrative Departments for information and guidance at this stage. The necy. endorsement is put up.

5 /

(Below copies of -

(1) letter from the Government of India, Development Board No.347/RC-Bombay, dated the 11th November, 1947, and its accompaniments, and

(ii) extract paragraphs 2 and 3 of Reconstruction Department note, dated the 20th November 1947).

No.853/4916-A.
Reconstruction Department (P.& S.D.)
Bombay Castle, 20th November 1947.

Copies forwarded to :-

the Electrical Commissioner with the Government of Bombay,
the Superintending Engineers of Circles,
the Agricultural Commissioners,
the Director of Agriculture,
the Director of Agricultural Engineering,
the Director of Animal Husbandry and Veterinary Science,
the Chief Conservator of Forests,
the Registrar of Co-operative Societies,
the Settlement Commissioner and Director of Land Records.
the Director of Public Instruction,
the Director of Industries,
the Surgeon General with the Government of Bombay,
the Director of Public Health,
the Public Health Engineer,
the Consulting Surveyor to Government,
the Director of Fisheries,
the Director of Labour Welfare,
the Director of Labour Administration,
the Housing Commissioner,
the Director of National Parks and Gardens,
the Provincial Motor Transport Controller,
the Backward Class Officer,
the Milk Commissioner,
all Departments of the Secretariat (except the Legal and Separate Departments),

for information and guidance with reference to paragraphs 3 and 4 of Government Endorsement, Finance Department, No. 5946/33-P.W.R., dated the 17th September, 1947.

By order of the Governor of Bombay,

Sd/-

Assistant Secretary to the Government of Bombay,
Reconstruction Department (P.& S.D.)

Letter

No. Elg 67-/12205
Electric Grid Office, Foreshore Road,
Bombay 1 : 27th November 1947.

To

The Secretary to Government,
Public Works Department,
Bombay

Subject:- Financing of Electric Grid Schemes.

I note from the list 2 attached to Government endorsement No.258/4916 A (Reconstruction Department, P.C. S.D.,) dated 20th November 1947, that it has been proposed by the Government of India that the Electric Grid works should be financed from loans. This is, in my view, the correct procedure. I had, however, suggested in my letter No. A.9/5836, dated 11th October 1946, that owing to the present abnormal cost of plant, machinery and works, the Government of India may be requested to grant a non-returnable subsidy equalling 1/3rd of the total capital cost, the remaining 2/3rd being met from loans. I note from the Government of India letter No.347/R.C. - Bombay, dated 11th November 1947, that it is not intended by that Government to make any capital grant for the Electric Grid works. In my u.o.r. No.Elg200/10801, dated 1st November 1947, I had pointed out that in Canada, the Ontario Government grants to the Ontario Power Commission, a non-returnable subsidy equalling 50% of the capital cost incurred on rural electrical development schemes. I accordingly recommend that Government be pleased to give favourable consideration to my above suggestion.

2. Bombay Government have accepted the principle of sanctioning Electric Grid Schemes, which are likely to be self-supporting in about ten years. A number of such schemes has been sanctioned. They have also accepted the principle that the deficits, till the sanctined schemes become self-supporting, will be met from the Provincial Revenues vide Deputy Secretary's note, dated 27th August 1945, and other Secretariate notes in P.W.D. file No.7627/36,El.Br. (i), Since then, I have submitted two notes on 2nd May 1946, vide this office u.o.r. Nos Elg. 67/1938 and 1939

entitled "Financing of Grid Schemes" and "Probable Captial Outlay on Electric Grid Schemes and Deficits" showing deficits which will have to be met during the next several years. For the reasons given in the said notes, I request that Government be pleased to order that deficits of Electric Grid Schemes sanctioned by Government, till they become self-supporting should be met from the Provincial Revenues.

3. I shall be obliged for the orders of Government in the course on my proposals in paras. 1 and 2 above.

Sd/-
Electrical Commissioner
with the Government of Bombay,

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7627/36
50711.

Below copy of letter No.Elg.67/12205, dated th e 27-11-47, from the El. Commr. with the Govt. of Bombay.

No.7627/36-El. P.W.D.,
B.C., 20th December 1947.

Copy forwarded to the F.D. for consideration in continuation of this Deptt. endt. No.6269/36-R, dated the 23-10-46.

2. The question raised in para. 2 of the El Commir's letter is under consideration in that Deptt. vide its file No.6111/33A, this dept file no 7627/36 on the subject refd. to by the El. Commr. is also sent in that Deptt. (It was xxxxx/u.o. to that Deptt. along with its file No.6111/33-A, on the 23-6-46).

By order of the G. of B.,

Copy forwarded for informaton to -

the Reconstruction Deptt. (P. & S.D.), (with a copy of the El. Commrs letter, dated the 27-11-47), with reference to its endt. No. 858/4916-A, dated the 20-11-47,

the El. Commr. with the Govt. of Bombay

Id/-
19-12-47

Id/-
19-12-47

20/12/47

Copy of the note of the Electrical Commissioner with the Government of Bombay (in his u.o.r. No.Elg.275(A)/39/2883, dated the 1st March 1948) in connection with the qurstion of reducing the rates of the Satara Electric Supply Compnay, Limited, whose accounts have revealed large surpluses.

x original in file no 8144/36/II

The Electricity (Supply) Bill, 1948, is now before the Select Committee of the Indian Parliament and is scheduled for enactment during the current Session. As this measure provides for control of public utility finance and regulation of rates on certain principles, it would be desirable to defer

consideration of the case until the Bill is passed.

Meanwhile. Government may formally inform that licensee that they do not accept the contention put forward by him. The case may be referred to the Electricity Board when formed.

2. It occurs to me that instead of enforcing rate reductions, Government may consider a levy in the shape of a percentage on gross revenues on licensees whose returns reveal surpluses and whose rates are not considered high in comparson with price levels likely to prevail for the next few years. The amount thus realised may be turned over to the Board as subsidy for meeting losses on rural electrification. This will serve the dual prupose of keeping licensees' profits within reasonable limits and providing a source of subsidy for the benefit of rural communities higherto neglected by private licensees. In this connection I would like to cite the example of Newzealand where a Rural Reticulation Fund has recently been created to be applied in subsidising rural electrification. A council consisting of five persons in empowered to control and administer the Fund. to fix the rate of levy on supply authorities. to determine the terms of subsidies granted, ect. The levy is proportional to gross revenues of undertakings from sales of electrical energy during each financial year. Special Provincial legislation will, of course, be required to give effect to this thought.

3. In making the above suggestion, I am mindful of the prevalent view that electricity, being a tool of production should be supplied as cheaply as possible and that there should be no lower limit. But with every other commodity spiraling up and living conditions and vages being adjusted accordingly from time to time, I think there is a strong case for diverting surpluses earned by licensees in urban areas for development of electric supply in villages in preference to neutralising them by reducing charges in towns where compared with costs of other commodities and services, the existing charges for electric supply are sufficiently low to promote normal development.

Id/-
27-3-48

ANP.

*Original in file No. 8244/36 Ely.(1)

*Copy

5)

7627/36

El.Br. Copy. P. W. D.

Submitted.

2. As the accounts of the Satara Electric Supply Coy., Ltd., for the year 1945 and 1946 revealed large surpluses, Govt. asked the Coy. to reduce its existing yeariff rates - vide. G.L.No. 8244/36(I)-El., dated the 9-12-47. The Coy., is however, not prepared to reduce its rates as advised by Govt. Both the El. Engr. to Govt. and the El. Commr. with the G. of B. are of the opinion that the matter may be deferred unitil the Ely. (Supply) Bill, 1948, which provides for control of public utility finance and regualtion of rates, is passed, and tat the Coy. be informed that Govt. does not accept the contention put forward by it. accordingly, the necy. draft is put up for approval. The case will then be referred, as suggested by the El. Commr. to the Ely. Board when it is formed.

3. The El. Commr. with the G.off B. has in this con. submitted the following proposal for the consideration of Govt:

(a) The Coy., like the Satara Coy., whose returns revel surpluses should not be asked to reduce their el. rates.

(b) Instead, Govt. should impose a levy in the shape of a percent-age on gorss revenues of such Coys.

(c) The amount thus realised by way levy should be turned over to the Ely. Board as subsidy for meeting losses on rural electrification.

4. In con. with them proposal in the preceding para. the El. Commr. has cited the example of Newsealand where a Rural Reticulation Fund has recently been created to be applied in subsidising rural electrification on the lines mentioned in para 3 above.

5. It may be stated in this con. that the question of financing Grid Schemes by subsidising them till they become self-supporting is already under consideratinn in the F

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vide G.E.,P.W.D. No.7627/36-El, dated the 20-12-47. The present suggestion of the El. Commr. which is of general nature may also be forwarded to the F.D. for consideration.

The necy. draft is put up for approval on the relevant file (viz. 7627/36/50711).

Id/-
27-3-48

Finance Department P.W.R.I.

ain case dealing with the financial aspect of the Electric Grid Scheme has been referred to the P.W.D. for obtaining Govt. orders.

2. The Electrical Commr's suggestion is that instead of compelling licencees to reduce the charges to consumers Govt. may recover the money by excess profit tax and subsidise the Electricity Board to that extent.

3. It is pointed out at the outset that the Commr. made the suggestion on 1st March 1948 that is, before the draft Electricity Bill as amended by the Select Committee was published in the Gazette on 4th April 1948. It is seen from item I of the Sixth Schedule of the draft bill that the bill intends that Electricity should be supplied as at cheap a rate as possible. Item II of the schedule provides for appropriation of profits exceeding the 'reasonable return'. But, clearly, the intention is that Govt. or Board, should see that the rates are fixed as in Item I and that if, in spite of that, there is an excess profit, it should be distributed according to Item II. Thus the controlling authority, or Board or Government., is not expected to follow the policy of allowing a licensee to charge such a rate as would result in excess profits and then approriate them. It does not, therefore, seem necessary to prusue that point. These papers may be filed after u.o.r. to the P.W.D.

Id/-
1-7-48

The position it now altered.

2. I think the S.O. should see before referring this to the P.W.D.

Id/-
1-7-48

P.T.O.

Resubmitted.

2. The question of feasibility of adopting the procudure suggested by the Commr. is in fact a minor one. The more important point is that, in the main case dealing with financing the Grid Scheme, F.D. has suggested that grant of subsidy should as far as possible to avoided. Even if it is decided to grant a subsidy it will be decided on the considerations which need not necessarily be those suggested by the Commissioner.

Id/-
23-7-46

There is no question of passing over the levy to the Grid. It has been made clear, I think more than once, that no tax can be earmarked for financing the losses of the Electric Grid. The subsidy when required can be provided in the budget as a form of a grant i.e. expenditure form Provincial Revenues. These grants may be recovered by Govt. later when the Grid makes a profit. The grant will accordingly be advances from Govt. and will be booked as such in the accounts to be maintained by the Grid.

2. The question whether the Local Govt. can impose a levy may be considered on the general case dealing with re-examination of the electricity duty.

Id/-
23-7-48

Id/-
23-7-48.

U.O. to P.W.D. dated 26th July 1948.

F.D.5946/33
14800

P. W. D.

El.Br.

Seen and returned to the F.D.

2. The main case of the F.D. dealing with the financial aspect of the Grid Scheme is under u.o.r. to the El. Commr. who has been expedited for its return. On receipt of the El. Commr's remarks Govt. orders will be obtained on the case as suggested by the Finance Department.

El.Br. P. W. D.

Submitted.

2. These papers deal with the question of financing the El. Grid Schemes. The points dealt with are:-

(i) How the capital cost of the Grid Schemes should be met after the Grid Board is established?

(ii) How the capital cost on the Grid Schemes should be met during the interim period i.e. till the Grid Board is established.

(iii) How the deficits on the working of these schemes are to be met till they become self-supporting.

(iv) Recovery from the Grid Baard of the expdre. incurred on the general staff and estabt.

(v) Whether any subsidy should be claimed from the G. of I.

3. Please see the G.N. dt. the 11-6-48. The El. Commr. was requested to give his remarks on the suggestions of the F.D. in respect of the above points. His remarks will be found on pp. 5 ante.

4. Further action on these papers was held over till the receipt of the up-to-date copies of the Ely. (Supply) Act 1948, which has since been passed by the Dominion Legislature and has recd. the assent of the Govt. Genl. These copies have now been recd. The question of formation of the Provl. Ely. Board under the provisions of that Act has been taken up separately. Chapter VI of the Act deals with the provisions for the Board's finance, Accounts and Audit. Attention in this connection is invited to the brief explanatory note on the porivisions of this chapter by the Govt. of India in the annexure to their letter No.El.II/1(10), dt. the 15-10-1948 an extract of which is put up within. The sections relevant to the points at issue in these papers are sections 59,60,63,64,65,66, & 67.

5. Section 59 lays down general principles for the Board's finance viz. the Board shall not as far as

practicable and after taking creidt for any subventions from the Provl. Govt. under section 63 carry on its operations under the Act at a loss and shall adjust its changes accordingly from time to time. It also provides that working expenses may be paid out of capital if circumstances warrant subject to be appl. of Provl. Govt. In their brief explanatory note refd. to earlier the Govt. of India have observed that it is considered that the provisions of this section should be interproted with reasonable latitude taking into account the merits of the trading activities of the Board over a period of years rather than year by year.

Section 60 refers to taking over by the Board of all relevant obligation incurred by the Provl. Govt. prior to he consatitution of the Board. Under clause (2) of this section all expdrs. incurred by the Provl. prior to the constitution of the Board is to be deemed as a loan advanced to the Board.

Section 63 provides that Provl. Govt. may with the appl. of the Provl. Legislature, from time to time make subventions to the Board for the purposes of the Act on such terms and conditions as Provl. Govt. may determine.

Section 64 enables Provl. Govt. to advance loans to the Board.

Section 65 enaboses the Board with the previous appl. of Govt. to borrow any sum (not exceeding ten crores of rupees at a time) reqd. for the purposes of the Act.

Section 66 provides that Provl. Govt. may guarantee in such manner it thinks fit the payment of the principal and interest of any loan proposed to be raised by the Board or of either the principle or the interest.

Section 67 fixes the priority of liabilities of the Board.

6. Item (1) How the capital cost of the Grid Scheme should be met after the Grid Board is established ?

T D's suggestion is that loan should be raised by the Board

the Provl. Govt. will not object to give a guarantee under section 66 of the Act, if appd. bankers advice that a guarantee is necessary and that in case the Board finds it difficult to raise money or that market condition are not opportune Govt. might grant short terms advances which may be limited to one year. In the circumstances explained in para. 1 of his note the El. Commr. reinterests his suggestion that for the first 10 to 15 years of the existenced of the Board Govt. should raise public loans for the Board and place the proceeds at its disposal at the borrowin rate plus the expdre. incurred by Govt. in raising such loans. He further strongly urges that if the above suggestion is not acceptable it should at least be accepted in resepect of the sum of Rs. 6.75 crores which has been allotted by Govt. for Ely. Schemes in the five year Reconstn. Plan. The F.D. may be requested to consider the El. Commor's above suggestion favourably.

7. Item(ii):- How the capital cost of the Grid Schemes should be met during the interim period i.e. till the Grid Board is established? The F.D's suggestion is that all the expdre. incurred on the Gird till the date of the constitution of the Board should be regarded as an advances repayable in suitable installments at the rate of 3½%. Under section 60(2) of the Act all such expdre. will be deemed as aloan advanced to the Board under section 64. The El. Commr. has suggested that this expedre. should be treasted as a part of the long term loan of Rs.6.75 crores refd. to in the preceding para. the rate of interest being the rate at which Govt. may be able to raise the loan plus the actual cost of raising it. The F.D. may be requested to considered the El. Commr. suggestion.

8. Item(iii):- How the deficits on the working of these schemes are to be met till they become self supporting The suggestion of the F.D. is that for the pruposes of subsidy to meet the deficits the schemes may be grouped as follows :-

(i)..

(i) Schemes specially suggested by Govt. to develop rural areas

and

(2) Other Schemes.

Schemes under (1) may further be divided into (a) productive and (a) unproductive; productive schemes being those which may bring specific amount of return after a specific period.

The F.D. further suggests that non-returnable subsidies to cover deficits shold be granted only to schemes under (1)(b), i.e. unproductive schemes supeially suggested by Govt to develop rural areas and on ohter schemes, i.e., (1)(a) & (2) the subsidies should be returnable, ile. advances may be given, the question whether any interest should be charged or not being considered after two years of working of the Grid.

Attention in this connection is invited to the remarks of the El. Commr. in paras 4-8 of his note. The El. Commr. reiterates his opinions that no distiction should be made between the various schemes in the matter of grant of subsidies for the first few years. If this opinion is not acceptable he has made proposals for the consideration of Govt. in respect of schems in connection with which certain commitments have already been undertaken by Govt. These proposals are detailed in para 7-9 of the El. Commr's note.

9. As observed by the El. Commr. the important point at issue at present is not what the position will be in respect of scheme which Board may undertake after it comes into existance. When the Board comes into existance if it finds that a scheme is not likely to become self supporting on the basis of reasonable electric power rates it will either not undertake the scheme or if it considers that it is in the public interst to undertake such scheme it will address Govt. for a subsidy for certain number of years. The question at present therefore to be considered is with rererence to the schemes in respect of which certain commitments have already been undertaken by Govt. and which will be handed over/the Board when it is consitituted. These schemes are as follows :-

(1)....

(1) North Gujarat Scheme.

(2) South Gujarat Scheme.

(3) Koyna Hydro-Electric survey and investigation.

(4) Kalinadi hydro-electric Preliminary sruveys.

(5) Nursery scemes at

(a) Halvan, Vengurla, Chiplun & Ratnagiri in Ratnagiri Dist.

(b) Islampur, Peth & 10 other Villages in the Satara Dist.

(c) 22 villages in Bulsar Taluka of the Surat Dist.

10. Reg: Schemes (1)&(2) above the El. Commr. proposes that interest free returnavle loan to dover the deficits till the schemes become sel-f supproting may be grantec. As regards rural distribution connected with these schemes he obverved that it may be necy. to give non-returnable subsidies for a number of years.

11. Re: Item (3)&(4):- The El. Commr. observes that the expdre. on them constitutes investigation at expdre. which the Board will not be able o finance or take into account for several years till the constn. of the schems is decided on and they are executed.. He suggests that the expdre. may be considered as interest free loan to the Board for the time being and that it should be written off by Govt., if for any reason, it is decided not to undertake the constn. of the schemes. He observes that when the Board executes these schemes it must take over the liability of the whole of the preliminary expdre. or such part of it which under the usual commercial practice can be charged to capital account.

12. Reg: Item (5) - Nursery Schemes:- The El. Commr. observes that none of these schmes is expected to be self supporting for some ten years and the deficits incurred during that peirod are not likely to be met from any surpluses in later years. These deficits will therefore have to be covered by non-returnable Govt. subsidies.

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13. The F.D. may be requested to condider the above specific proposals of the El. Commr.

14. Item (iv) :- Recovery from the Grid Board of the expdre. incurred on the general staff and estabt:- This Deptt. haxs suggested that this expdre. should be trated as part and parcel of the capital cost of the schmes and recovered from the Board. The F.D. has agreed with this suggestion and has stated that the expdre. so incurred till the Board is established should be treated as an advance to the Board to be recovered with interest. The El. Commr. has in this connection submitted for the consideration of Govt. specific proposals which provides that expdre. on staff should not be recovered from the Board - vide 9- 10 of his note. He observes that these proposals are fair both to Govt. and the Board which should not be burdened with an expdre. on staff and estabt. incurred before it comes into existances for the reasons urged in para. 10 of his note. It is for consideration whether we may agree to these proposals.

15. Item (v) whether any subsidy should be claimed from the Govt. of India :- In the circumstances explained by the F.D. in para. 12 of its note dt. the 31-1-47 the question of claiming any subsidy from the Govt. of India in respect of Grid Scheme dose not arise. For the reasons given in para. 11 of his note the El. Commr. suggests that the Govt. of India may again be approached in the matter. The F.D. may consider this suggestion.

16. The papers may be refd. back to the F.D. for consideration of the suggestion made by the El. Commr. before Govt. orders are obtained in the matter.

17. The proposal made by the El. Commr. includes the taking over by this Deptt. of the cost of construction of temporary office buildings at present occupied by his office and the charging of a reasonable rent to the Board until the Board can make suitable permanent arrangements. The cost of the office buidlings at present occupied by the Commr's office, inclusive of the work of fencing, paths and gargens for the office

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Originals in F.D.,6111/33/2

Letter.

No.7627/36-E(1). Public Works Department,
Bombay Castle (Bombay No.1)/
7th December 1949.

To

The Electrical Commissioner with the Government of Bombay.

Subject:- Electric Grid Schemes:
Financing the Capital cost of and the cost of subsidies for

Reference:- Correspondence ending with your No. PF-8/14316, dated the 26th August 1948.

2. The following points have been raised by you in the above subject:-

(a) How the capital cost of the Grid Scheme should be met after the Bombay Electricity Board is established.

(b) How the capital cost of the Grid Schemes should be met during the interim period i.e. till the Bombay Electricity Board is established.

(c) How the deficits on the working of these schemes are to be met till they become self-supporting.

(d) Recovery from the Board of the expenditure incurred on the general staff and establishment.

(e) Whether any subsidy should be claimed from the Govt. of India.

3. With reference to the above points the decisions of Government are as follows:-

(a) Necessary loan should be raised by the Bombay Electricity Board, when formed, to meet the expenditure. The question of giving a guarantee under Section 64 of the Electricity (Supply) Act, 1948, can be decided later as and when it actually arises.

(b) The question, how the expenditure incurred on Grid Schemes till the formation of the Board will be treated, is clearly covered by Section 60(2) of the Electricity(Supply) Act, 1948, and no further consideration of this point is necessary.

(c) Government agrees with the observations made in paragraph 6 of your No.PF-8/14316, dated the 26th August 1948.

For meeting the deficits on the working of the North and South Gujarat Electric Grid Schemes, Government may give advances to cover the deficits but the question whether any interest on it should be charged or not will be dicided after two years' working of the Grid.

The seems premature to consider your proposal to write off the expenditure on the preliminary surveys and investigations of the Koyna and Kalinadi Hydro-Electric Schemes/ will be considered on merits after the Board refers the point to Government specifically. in the event of the Bombay Electricity Board ultimately reciding to undertake these schemes.

The question whether any subsidy should be given in respect of particular nursery schemes.

(d) The expenditure incurred on general staff and establishment should be treated as part and parcel of the capital cost of the Grid Schemes and should be treated as an advance to the Board to be recovered with interest. Regarding the temporary office and garden fencing etc., of the Grid Department, it has been decided that , if the Board does not want to retain the office building, Government may take it back and give it on hire to the Board at a reasonable rent.

(e) The question whether any subsidy should be claimed from the Government of India is separately under consideration.

By order of the Governor of Bombay,

Sd/-

for Deputy Secretary to the Government of Bombay,
Public Works Department.

A.-Nil

Copy forwarded to the Finance Department for information.

Below U.O.R. No. 6111/33/21/20015, dated 18-6-1948, in connection with the question of financing of Grid Scheme

Electric Grid Offices.

I have to offer the following remarks on the various points raised in this file :-

(1) How the capital cost of Grid Schemes should be met after the Board is established;

1. My suggestion that Government should raise loans for the Board as it can do so at a lower rate than the Board can even under Government gurantee, has not been accepted by F.D. that Deptt., has suggested that loans should be raised by the Board to meet all expenditure on large Grid and Nursery Schemes, though the Provincial Government will not object to give a guarantee under Section 66 of the Electricity (Supply) Act 1948, which has just been passed by the Indian constituent Assembly (Legislature), if approved bankers advises that a guarantee is necessary. If, however, the Board finds it difficult to raise money or if the market conditions are not opportune, Government might grant short term advances which may be limited to one year. The main objection advanced by the F.D. against my proposal is that if Government raises a loan for advancing money to the Board and subsequently the Board itself raises loan to repay to Government, the repayment of interest and capital to Government are likely to be affected in view of the priorities for repayment fixed in Section 66 (new Section 67 of the Act). As the borrowing of the Board is to be controlled by Government, the Board will obviously borrow only if Government does not advance a long term loan to it and allows the Board to raise its own money. In view of this, the importance of Section 67(xi) will be restricted to the extent that Government permits the Board to go into the open market for its finances. The object of establishing the Board is to develop electric supply and make electricity available at as low a rate as possible. This object can best be achived if the Board obtains its money at the lowest possible rate of interest.

interest. As stated by me previously if the Board raises its loans direct it is expected that it will have to pay 1/4 to 1/2% more (even if the loan is guaranteed as to Principal and Interest by Government) than Bombay Government pays for its loans. I, therefore, still think that for the first 10 to 15 years of the existence of the Board, Government should raise public loans and place the proceeds at the disposal of the Board at the borrowing rate plus the expenditure incurred by Government in raising such loans.

2. If the above is not acceptable, I would strongly urge that Government should accepted the above proposal at least in respect to the sum of Rs. 6.75 crores (the amount allotted for Electricity Schemes in the first five-year period), so that it may form the first set of assets on which the Board may be albla to raise lons at a reasonably favourable rate of interest, after the end of the first five year period on its assets and under Government guarantee, if necessary, The rate of interest on the above amount should be the rate at which Government may be able to raise a loan plus actual cost of raising it. On this basis, the rate will probably be less than 3½% as against 3½% proposed by F.D. The loan should be for priecd of about 30 years. Government should also if necessary agree to guarantee the principal and interest of a suitable cash credit with a bank.

II. How the capital cost of Grid Schemes should be met during the interim period, i.e. till the Grid Board is established :

3. The F.D. suggests that all the capital expenditure incurred on the Gird till the date of constitution of the Board should be regarded as an advance repayable in suitable instalment at the rate of 3½%. I have already pointed out in the preceding para. the basis on which interest should be charged.

The amount of capital expenditure incurred till the constitution of the Board (vide section 60(2) of the the Act) should be treated as a part of the long term loan of Rs. 6.75 crores referred to in para. 2 above.

III. How the deficits on the working of these schemes are to be met till they become self-supporting :

F.D. has observed that the question of subsidy is a difficult one to decide. Some of the schemes may never become self-supporting, some may just cover the recurring cost on establishment, repairs and interest charges and some may bring in a profit after covering these charges after some years. The F.D. had, therefore, suggested the following grouping of the schemes :

(1) Schemes specially suggested by Government to develop rural areas,

and

(2) Other schemes.

Schemes under (1) may further be divided into (a) productive and (b) unproductive.

Productive schemes being those which may bring specific amount of return after a specific period.

Non-returnable subsidies to cover deficits should be granted only to schemes under (1)(b) and on other schemes i.e. 1(a) and (2) the subsidies will be returnable, i. e. advances may be given. The question whether any interest should be charged or not may be dicided after two years working of the Grid.

5. I have already explained in detail in my note of 2nd May 1948 at pages 29 to 33 of the file, my reasons why no distinction should be made between the various schemes in the matter of grant of subsidies for the first few years. If, however, this is not acceptable I suggest for consideration proposals in the following paragraphs.

6. Section 59 of the Electricity (Supply) Act, 1948, provides that the Board shall not as far as practicable and after taking credit for any subvention from the Provincial Government under section 63, carry on its operation under this Act at a loss and shall adjust its charges accordingly from time to time.

Obviously, therefore, if the Board finds that a scheme is not likely to become self-supporting on the basis of reasonable electric power rates, it will either not undertake the scheme or if it considers that it is in the public interest that the scheme should be undertaken, it will addr

Government for a subsidy for a certain number of years. Government will no doubt consider such such application from the Board on its merits,. In the case of electrification proposal sent by Government to the Board, the Board will doubtless apply the same procedure, viz., if it considers essential that for the proper development of the schemes in compliance of the above mentioned section of the Act, it will require a subsidy from Government, it will address Government accordingly.

7. The important point at issue at the present time is not what the position will be in respect of schemes which the Board may undertake after it comes into existance, but rather in respect of these schemes, which are already under execution or which have been sanctioned by Government and in connection with which certain commitments have already been undertaken, the Board will have no real freedom of action in respect of these schemes in the event of Government not agreeing to give the necessary subsidies. The schemes and expenditure in question are mentioned below :-

i.e. it will not be able to decide against the schemes.

(i) North Gujarat Electric Grid Scheme - sanctioned under G.R.,P.W.D., No.7161/36 dated 20-10-46.

(ii) South Gujarat Electric Grid Scheme -

(iii) Koyna Hydro-Electric Survey & Investigations sanctioned under G.R.,P.W.D.No.8193/36 dated 14-12-46.

(iv) Kalindi Hydro-Electric Preliminary Surveys sanctioned under G.R.,P.W.D.,No.8340/36 E.R.(1), dated 7-1-1947.

(v) Nursery Schemes -

(a) Four terms in the Ratnagiri Dist.

(b) Islampur and certain villages in the Satara District.

(c) Certain villages in Bulsar and Surat Districts.

(vi) Expenditure and Commitments incurred on the staff and establishment from inception to the time, Board takes over.

(vii) Temporary offices built for the Grid.

8. Referring to scheme No.(i), I shall submit to Government shortly a revised financial forecast. The scheme is likely to be self-supporting in 3 or 4 years from the Commencement of operation.

As regards scheme No.(ii), viz., South Gujarat Electric Grid Scheme, it is likely to take longer to become self-supporting than scheme No.(i).

Interest free returnable loan to cover the deficits incurred till the schemes (i) and (ii) become self-supporting may be granted. As regards rural distribution connected with these schemes, it may be necessary to give non-returnable subsidies for a number of years as for item (v) below.

on the other hand, for any reason it is decided to take the construction of the schemes, the loan should be written off by Government.

As regards (v), viz., Nursery schemes, mentioned above, and any additional ones, which may be undertaken till the Board comes into existance, as Government are aware none of these ~~various~~ schemes is expected to be self-supporting for some ten years and the deficits incurred during that period are not likely to be met from any surpluses in later ~~years~~ years and will have to be covered by non-returnable Government subsidies. These rural electrification schemes when completed will increase the productive capacity of the people both for cottage, small scale and other industries as well as agriculture,. There is, therefore, sufficient justification for subsidising these schemes.

For ~~items~~ items (vi) and (vii) of expenditure, please see the following paragraphs.

IV Recovery from the Grid Board of the expenditure incurred on the Grid staff and establishment.

9. F.D. has agreed with the view of the P.W.D. that the expenditure on staff, appointed to examine and execute the schemes, should be treated as part and parcel of the capital cost of schemes and not as part of the preliminary expenditure incurred on the examination of the various Post-war Reconstruction Schemes, which should not be recovered from the Board. In this connection, I enclose herewith statement "A" which shows the total annual expenditure on

one staff, etc. incurred since inception. I also enclose statement "B" showing the capital and revenue expenditure of various Grid schemes since inception I make the following specific proposals for the consideration of Government

(a) Items of expenditure noted below should be absorbed by Government and charged to general revenues as they can properly be considered as part of preliminary expenditure on establishment etc. incurred by Government on examination of its various post-war reconstruction schemes.

(i) Revenue expenditure as covered by items I, II, III IV and VIII in Statement "A" less the Head office charges booked to the capital expenditure incurred on the various schemes till the Board comes into existance.

(ii) Items Nos. V, VII - covering the cost of construction of temporary office accommodation for the Grid Department and garden, fencing etc ..

(b) The following items of expenditure should be charged to capital and the liability taken over by the Board :-

(i) Expenditure under item VI of statement "A"

(ii) Expenditure under items 1, 2 and 3 of Statement "B".

(iii) Value of stores in stock suspense account against the reserve limit of Rs. 6/- lakhs sanctioned by Govt.

(c) Expenditure on survey work of Koyna and Kalinadi - items 4 and 5 of Statement "B".
Please see remarks in paragraph 8 above.

(d) Since it has been proposed above that Government should absorb and construction cost of temporary office accommodation at present occupied by this Department, Government may charge reasonable rent to the Board until the latter can make arrangements for more suitable and permanent office accommodation.

10. I trust, the above proposals will be acceptable as they are fair both to the Government and Board, which should not be burdened with an expenditure on staff and establishment incurred before it came into existance.

A major portion of this expenditure is un-productive and of a nature which would ordinarily have been borne by Government on the investigation of post-war

recons.....

reconstruction schemes and would not have been charged as capital expenditure on the schemes, had the Board not been brought into existance. Under section 60(2) of the Electricity (Supply) Act, 1948, responsibility for all the expenditure incurred on capital account is to be taken over by the Board. As no assets will have been created by the amount spent on staff and establishment, it in urged that this expenditure should not be treated as part of capital expenditure to be taken over by the Board.

V. Whether any subsidy should be claimed from the Government of India :-

11. I note that as the Electric Grid Schemes was not previously reported to the Government of India for their approval, that Government has declined to give any subsidy for the unproductive expenditure on account of special establishment during the years 1945-46 and 1946-47. The point raised in my letter No.A/9-5836, dated 11-10-1946, regarding meeting of a part of the capital cost, say 33 per cent.by the Government of India by way of subvention does not seem to have been considered by F.D. presumably because of the fact that it has been decided that all self-financing schemes should be debited to the loan money and the grid schemes have been considered to be self-financing schemes. It may perhaps again be brought to the notice of the Government of India that though the Electric Grid Schemes have so far been treated as self-financing schemes i.e. schemes whch on completion and lapse of necessary time for their full operation will yield adequate revenue to cover the interest on the capital at charge, working expenses, maintenance and depreciation charges, some of them owing to the present very high prices have little chance of becoming self-supporting in less than 10 years. This specially applies to the rural distribution schemes. Government of India may, therefore, be again approached in this matter. It may be pointed out to them that in Canada, the Ontario Government grants to the Ontario Power Commission, a non-returnable subsidy equalling 50% of the capital cost incurred on rural electrical develop-

ment scheme (vide ~~xxx~~ para. 1 of this office letter No. Elg.67/12205, dated 27-11-1947). Similarly, the Federal Government of the U.S.A. has loaned a sum of 404 million dollers free of interest charges, repayable in 40 years to Tennessee Valley Authority for power development purposes, Since the beginning in 1933 to June 1944, 53 million dollers were paid by the ~~X~~ Federal Government of the U.S.A. as interest charges on the money borrowed for power development of the T.V.A. In effect ~~this~~ this means that the U.S.A. Government have given a ~~xxxxxxxx~~ subsidy of 53 million dollers to the ~~XxXx~~ T.V.A.

Sd/- P.B.A
26-8-48

The Secy. to Govt.
P.W.D., Bombay.

U.O.R.No.PF/8/14316.
26th August 1948

Sd/-

VERY URGENT
Letter

No. G-101/19979
Electric Grid Offices,
Foreshore Road,
Bombay 1: 29th December 1948.

To

The Secretary to Government
Public Works Department,
Bombay.

Subject:- Bombay Electricity Board -
Financial arrangement between the
Board and the Government.

I invite a reference to my letter No. G/101/19961, dated 28th December 1948, on the formation of the above Board. In this connection the question of financial arrangements as between the Board and the Government has been under the consideration of Government for 3 years and I strongly recommend that this matter be now taken up for immediate decision and orders of Government issued on the lines of my U.O.No. P.F./8/14316, dated 26th August 1948, a copy of which is attached for facility of reference.

Sd/-
Electrical Commissioner
with the Government of Bombay.

Encl: 1 copy.

Copy together with a copy of u.o.r. No. P.F/8/14316, dated 26th August 1948, forwarded with compliments for favour of information to H.M.,P.W.D., Secretariat, Bombay.

Encl: 1 copy.

Note on this early please
Idl-
28/12